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Confidential

February 26, 2001

Anthem 

Mr. William L. Jews
President & Chief Executive Officer
CareFirst, Inc.
10455 Mill Run Circle
Owings Mills, MD 21117-4208

Dear Bill:

I was very disappointed to receive your letter dated February 13, 2001. Over the past several months, we have expressed to you in person, by telephone and in writing our enthusiasm about the prospect of a business combination of Anthem and CareFirst. I know that you are relying greatly on your investment bankers to guide you through this process, but the pattern of delay in responding to our communications and the refusal to allow Anthem to enter your process is difficult to understand given management's fiduciary duties to your stakeholders.

In your letter, the concerns expressed by your advisors of the reasons why you have continued to exclude Anthem are:

- Strategic business fit and the potential for positive business synergies
- Maximizing value for stakeholders: the charitable foundations to be created upon conversion, policyholders, and employees
- Certainty of execution
- Issues relating to management and governance

While I believe we have consistently and positively addressed each of these points in our previous letters, I will reiterate our view on each one:

1. From a strategic fit and growth opportunity standpoint, we see the Mid-Atlantic region as a cornerstone to our expansion plans in the Eastern region. Having already successfully established a significant position in the Northeast, we are firmly committed to making the Eastern region a significant growth platform.



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2. We believe our broad product line would compliment and enhance CareFirst's offerings. In addition, we would be able to enjoy greater efficiencies and economies of scale as we combine Anthem's over 7.5 million members with CareFirst's membership.

Moreover, Anthem has demonstrated in past transactions with other Blue Plans its ability to achieve significant efficiencies in strategic combinations while maintaining a commitment to a local employment base.

3. From the perspective of maximizing value for your various stakeholders, we do not see how our exclusion is in any way consistent with that goal. Given that other BCBS Plans with similar organizational characteristics to CareFirst have chosen Anthem over other potential partners, our exclusion is not consistent with meeting your objective. Where we have been permitted to compete, we have delivered the highest value for the stakeholders.
4. From the standpoint of certainty of execution, as your investment bankers well understand, we are not proposing that CareFirst become a mutual insurance company. We are proposing an acquisition of CareFirst. Our pending demutualization and IPO will in no way jeopardize the timing of a combination. The demutualization process is proceeding expeditiously. As we have stated previously, our process will be completed well in advance of CareFirst's conversion from non-profit status. If I understand it correctly, your conversion will require approval in three separate jurisdictions, each with discreet constituencies, as well as obtain an act of the U.S. Congress in the case of the Washington, D.C. Plan. Under such challenging circumstances, we are highly confident that Anthem's demutualization will be complete well in advance of your conversion. Finally, we are confident that we have the balance sheet capacity (\$1.9 billion) in GAAP equity at year-end 2000 to fully fund a cash transaction should that be more attractive to your constituencies.

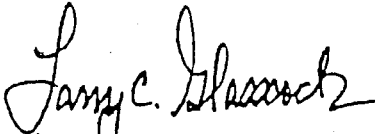
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5. Regarding your concern for the management and employees of CareFirst, we have consistently stated, and our track record supports, that we would expect to have significant opportunities for CareFirst's management and employees in a combined Anthem/CareFirst company. Frankly, we are excited about the possibility of having the attractive talent assembled under your leadership as part of the Anthem team.

Bill, your bankers have cited our lack of specificity regarding the above points in our previous letters. Without the benefit of the detailed operational and financial due diligence that you have afforded the other participants in your process, it is impossible for us to be more specific. The exclusion of Anthem from your transaction process is disappointing. I hope that we have the opportunity to work this issue further because together we could create the best health benefits company in America.

Sincerely,


Larry C. Glasscock

LCG/jrs

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